

MEMORANDUM

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

DOS REVIEWED 16 MAR 2011 NO OBJECTION TO DECLASSIFICATION

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August 30, 1973

MEMORANDUM FOR: DR. KISSINGER

FROM: PHIL ODEEN *g w*

SUBJECT: The FY 75 Defense Program -- An Update

Secretary Schlesinger has completed his review of the Services' proposed programs for FY 75-79. Schlesinger is playing a much more active role in the review of Service programs than Laird did and his recent decisions (which are still subject to Service reclama) have gone a long way towards correcting some of the most serious problems we identified with the original Service proposals (see memo at Tab B). It also seeks to implement many of the reforms we have been advocating in the DPRC and other areas for years.

In his decision memo to the Services, Schlesinger outlines the conceptual basis for his decisions in terms of several management initiatives which will also help guide future Service planning (see Tab A for copy). In particular:

-- Strategic air defenses have been sharply cut back with the mission emphasis shifted from defense against a bomber attack to air space surveillance and warning functions. Interceptor force levels have been sharply reduced; by FY 76 the active Air Force interceptors will be reduced to three squadrons with the reserve forces providing rest of a limited air defense capability. The Army's Nike Hercules SAM force will be completely retired. In addition, air defense modernization is sharply reduced to research and development only. (The Airborne Warning and Command System (AWACS) is shifted to General Purpose Forces.)

-- The ABM spending is sharply cut back. The goal in this area is two-fold: maintaining our technological lead via research and development and gaining operational experience at the Grand Forks ABM site. Grand Forks will operate on a five day week, one shift per day basis with only 16 of the Sprint missiles operational at any one time. A capability to bring

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the PAR, Spartan and remaining Sprints to an operational status within three months will be maintained. The rationale for this 40 hour a week ABM is that the single site has very limited strategic significance. The real value is operational experience and a single shift basis is adequate for this.

-- A new emphasis is placed on strategic command and control with funding increased about \$1.0B in FY 75-79. This funding goes principally for improving the survivability of our command and control system and improving its speed and reliability.

-- Reserve force readiness is being improved by affiliating 39 reserve battalions directly with active divisions and high readiness reserve brigades planned for early deployment. Each reserve battalion will train and work closely with their active counterpart and have the same readiness and deployment objectives. By the end of FY 76 an additional 26 reserve battalions will be affiliated with divisions based overseas. Finally, reserve strength is reduced (reflecting the difficulty in attracting reservists without the draft) with the freed-up money used to improve the modernization and readiness of the affiliated reserve battalions. In view of the difficulties encountered in manning the reserve forces, this move towards a smaller reserve force with higher readiness is a welcome initiative. It will require significant backing up in Congress where these proposals may run into difficulty.

-- Navy general purpose force ship modernization is changed to beef-up those areas where current procurement programs are inadequate to support existing force levels -- particularly tactical aircraft and support ships. Nuclear attack submarine procurement is cut sharply (from 5 to 2 per year) and the F-14 fighter production is reduced to 50 aircraft per year. The freed-up funds are used to increase support ship and Navy tactical aircraft procurement. A new lightweight and cheaper fighter aircraft will be developed to fill the gap in Navy aircraft procurement left by the cutback in F-14 procurement. The nuclear powered aircraft carriers^{a/} planned for procurement in the late 1970s has also been deleted. This, combined with the cut in nuclear submarines, is certain to elicit strong protests from Admiral Rickover who has already started lobbying efforts within the government and on the

a/ However, Schlesinger approved funds for seven Sea Control Ships -- which are small carriers which carry STOL aircraft and helicopters.

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Hill. Previously, the five nuclear attack submarines absorbed over 30 percent of the Navy shipbuilding budget and Admiral Zumwalt (who supports the cut) and Schlesinger will need strong backing if this welcome initiative is to survive Congressional review.

-- Air Force tactical air forces are cut by two wings (10 percent) rather than the three proposed by the Air Force. Funds freed-up by cutting back on the procurement of the F-15 will be used for an additional wing of the new A-10 close air support aircraft and to buy F-5Es for the Reserves. The tactical air posture is not reduced in FY 75 -- the first wing phases out in FY 76.

-- A welcome new emphasis is placed upon improving our fast deployment capability to NATO. The Air Force is directed to examine the use of 747-type aircraft to expand our capability (an idea we insisted be considered in the NSSM 168 study despite the protests of DOD representatives). Moreover, \$175 million is set aside to fund a new coordinated Air Force/Army exercise in which two full divisions would be airlifted to NATO to demonstrate our quick reaction deployment capabilities to the Allies.

-- A renewed effort is made to control future increases in manpower costs without affecting manpower levels. For example, efforts are made to reduce moving costs by changing manpower rotation policies.

-- Finally, a comprehensive review of our theater nuclear forces posture in Europe is directed covering employment, acquisition, deployment policy force levels, mix and other characteristics.

Schlesinger also directs an effort to shift the emphasis in Security Assistance from a Grant to a Sales basis over the next five years. The real issue here is one of the pace of any shift, a question Dick Kennedy is working on.

Remaining Problems

These changes address many of the problems reported to you in my earlier memo on the FY 75-79 program (Tab B). However, there are several remaining problems -- especially in the strategic and Navy ship procurement areas. In particular,

-- There is no rational strategic air-to-surface cruise missile program.

-- In other ways, our flexibility in strategic forces is being limited by a lack of hedge programs. The Navy's decision to delay the Trident I

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missile IOC to coincide with the submarine IOC was allowed to stand, reducing our hedge to an increase in submarine vulnerability. Although a Minuteman III production capability is preserved, we continue to rely primarily on high risk, high cost programs, the Trident submarine and B-1 bomber. We are working ourselves into an increasingly untenable position to respond to a failure of SALT II.

-- The Navy ship procurement problem is still far from solved even though the cutback in nuclear submarine and carrier procurement will provide funds to build larger numbers of escorts and support ships.

Schlesinger's revised program is still \$2 to \$4 billion above the level OMB claims is compatible with the President's economic objectives even after the budget scrub and Congressional actions are considered. It is important you stay involved to ensure adequate funds are provided for defense and that any reductions are taken in ways consistent with our strategic needs rather than determined by the need to keep bureaucratic peace with the Services. Schlesinger will require substantial backing if these decisions are to stick and your continued interest will be useful in that regard as well. It would be useful to hold a DPRC meeting soon to demonstrate your continued interest in the Defense planning process despite your pending move to State.

I, therefore, recommend we schedule a DPRC meeting on the FY 75-79 defense program for some time in late September.

_____ Plan a DPRC meeting for September.

_____ Disapprove, see me.

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THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

August 13, 1973

MEMORANDUM FOR SECRETARY OF THE ARMY

SUBJECT: Program Decision Memorandum for the Department of the Army

(U) This memorandum transmits my tentative decisions regarding the Department of the Army program for Fiscal Years (FY) 75-79.

(U) In making these tentative program decisions I have explicitly made a number of shifts in emphasis relative to both the most recent Five Year Defense Program (FYDP) and to the JFM/POM proposals for FY 75-79. Specifically I have attempted to:

(S) 1. Achieve a better balance between strategic forces and the command and control for these forces. We should continue modernization of existing strategic offensive systems, plan to develop and procure new offensive systems at a deliberate pace, significantly increase funding for strategic command and control systems, and provide for improved warning systems.

(S) 2. Redefine the strategic air defense mission, adjust the air defense forces accordingly, and proceed with ABM defense programs at a reduced but deliberate pace. In air defense we should reduce emphasis on defending against strategic bomber attacks and direct our efforts to the missions of warning of a bomber attack and air space surveillance and control. However, to insure our technological capabilities in air defense we should pursue an R&D program also. In line with the shift in emphasis I have directed a major reduction in air defense interceptors devoted to defense of the CONUS and the retirement of all existing CONUS air defense surface-to-air missiles (SAMs). Further, we should pursue the concept that airborne warning and control systems and interceptors can provide a mobile flexible pool useful in various locations and not be tied solely to continental air defense. In this regard I am directing the transfer of the AWACS program to General Purpose Forces and the planning for a mobile air defense capability. In missile defense we should attempt to minimize operational costs of the Safeguard system, not plan to procure an NCA defense at this time, but continue R&D on all types of missile defense at a pace adequate to maintain our technological base and our current lead in ABM technology.

(S) 3. Achieve a better balance between strategic and general purpose forces by reallocating funds from selected strategic programs to provide more monies for general purpose forces modernization. I am explicitly adding funds for various tactical aircraft, helicopter, and

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EXEMPTION CATEGORY 3

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ship construction programs -- to ease obsolescence problems and to maintain adequate quantities of general purpose forces. We cannot buy only the highest quality items of equipment and still maintain the desired quantities of modern equipment in all of our existing forces.

(C) 4. Shift toward more austere but more capable reserve forces which are to serve in times of mobilization as equivalents to active forces. I believe it is better to have a very capable but smaller reserve force than a larger one which has limited capability and which might not be ready for potential crises or conflicts.

(S) 5. Achieve a better balance between modernization of delivery systems, and their readiness, including the availability of munitions. In selected areas I am increasing Army, Navy, and Air Force munitions procurement to come closer to meeting materiel support objectives during the FY 75-79 period. Increased funds are also provided for the modernization of munitions production facilities, and for reducing deficiencies associated with ship, aircraft and component overhaul and maintenance programs.

✓ (C) 6. Shift our emphasis within the military assistance programs by planning for more use of foreign military sales credit and less use of direct MAP grant aid in the FY 75-79 period. I am also reducing the projected funding levels for aid to Vietnam and Laos in view of the lower military activity.

(U) 7. Retain a vigorous RDT&E program aimed at retaining our technological leadership through the development and demonstration of significant new capabilities in areas of our most serious deficiencies. Where possible, I would hope to apply a greater fraction of these funds to advanced development, and a lesser fraction to full system development.

(U) 8. Conserve manpower costs through the reduction of costs of supporting manpower rather than reduced manpower levels. To this end, I have sought opportunities to reduce excessive rotational moves, enhance possibilities for retention, and improve the efficiency of providing housing.

(U) I have therefore approved the program in the Program Objective Memorandum (POM) of May 18, 1973, as modified by the specific changes described below.

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component. In FY 77 and beyond, plan to operate only the 16 collocated Sprints and the MSR on a five day per week one-shift basis, and maintain a capability to make the PAR, 30 Spartans, and 54 remote Sprints fully operational within three months.

(S) B. CONUS Air Defense: Maintain a CONUS air defense force having the primary missions of surveillance and control of U.S. airspace and warning of a bomber attack. Plan for use of mobile forces consisting of active air defense interceptors, airborne warning and control systems if available, tactical fighters and tactical SAMs to meet contingency situations requiring air defense. Phase out at least 35 of the current 48 Nike-Hercules batteries for CONUS air defense by end FY 75, and phase out the remaining batteries by end FY 76.

(S) C. NCA Defense: Do not plan to procure an ABM defense of the NCA at Washington, D.C.

(U) D. Site Defense and ABMDA: See Research and Development Section V.

II. LAND FORCES

(S) A. Army Reserve Component Size and Organization

- By end FY 75 reduce land forces paid drill strength by 20,000 from POM forces and structure spaces by 48,000 spaces. Continued maintenance of the resulting reserve force structure in the future will depend upon visible progress toward improving the quality and time-responsiveness of the reserves. By December 15, 1973, submit implementation plan that considers state needs and emphasizes readiness.

- By end FY 75 affiliate 39 reserve battalions with CONUS-based active divisions and early deployment reserve brigades.

- By end FY 76 affiliate 26 additional reserve battalions with overseas divisions.

- Use savings from drill strength reduction for modernization and readiness of affiliated battalions.

(S) B. Army Attack Helicopter: Procure 305 AH-1Qs in FY 75-79.

(S) C. Army War Reserve Ammo Procurement: Increase U.S. Army ammunition war reserve procurement to buy out currently stated, "warm base" inventory objectives (I/Os) for all items including second generation (dual purpose) ICM, but excluding first generation (anti-personnel) ICM, by the end of FY 78 funded delivery period (FDP). This adjustment includes \$180 million more than needed to meet these currently stated I/Os and constitutes an ammunition procurement planning wedge which the Army may use for additional dual purpose ICM or any other ammunition modernization items.

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(S) D. Strategic Air Mobility: The question of increasing U.S. strategic air mobility to enhance our deployment capability, particularly to NATO, is to receive more consideration. The method of providing additional 747 type capability to the U.S. airlift force should be examined in detail by the Air Force in conjunction with the ODDPA&E. This examination should provide me, prior to finalization of the FY 75 budget, the most promising courses of action to attain such additional airlift capability. In addition, in FY 75, \$175 million is to be added to the undistributed Contingency Fund for a JCS directed and coordinated exercise specifically to fund Air Force and Army participation in a two-division size deployment exercise to NATO. Prior to finalization of the FY 75 budget, the JCS in conjunction with ODDPA&E are to identify the details of this exercise, which should clearly demonstrate to our NATO Allies the viability of the U.S. reinforcement capability.

(S) E. Theater Nuclear Forces: A comprehensive review of the theater nuclear force posture in Europe is to be carried out under the general direction of the Assistant to the Secretary of Defense (Atomic Energy). This review should include theater nuclear force objectives; employment, acquisition, and deployment policy; force levels, mix, and characteristics; and the political and arms control aspects of theater nuclear forces.

III. INTELLIGENCE AND SECURITY

(U) Make adjustments as specified in Intelligence and Security PDM.

IV. CENTRALLY MANAGED COMMUNICATIONS

(S) A. Survivability of C³: ANMCC. Add funding to provide for a hardened SHF satellite communications terminal at the ANMCC.

(S) B. Satellite Communications:

1. DSCS. Expand the earth terminal segment consistent with the DSCS mission priorities, to equip the earth terminals with digital modulation and multiplex equipment to achieve an all-digital DSCS II for wideband data and secure voice operations, to equip the terminals with anti-jam modems, and to get an early start on DSCS III.

2. Gap Filler. Add funding to provide for additional lease of satellite communications in support of Army operational mission requirements.

(S) C. Communications Modernization & Security:

1. TRI-TAC. Add RDT&E funds to provide for delivery, test and evaluation of 9 circuit and 7 message AN/TTC-39 switch modules together with associated terminal control facilities. Reduce procurement funds to reflect acquisition of test models of the AN/TTC-39 with RDT&E funds.

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2. Tactical Net Radio Systems. RDT&E and Procurement funds to implement an accelerated tactical radio secure voice program. Provide a more rapid and uniform development and growth of tactical secure voice among the forces. Army development of integrally secure radios is accelerated.

(S) D. WWMCCS ADP & Data Communications:

1. WWMCCS ADP Internetting. Add funding in FY 75 (\$1.2M) and FY 76 (\$3.0M) to provide early communications capability that will later phase into the Interim Data Net (IDN).

2. Interim Data Network. Add funding to allow the development and implementation of a general purpose, DOD Data Communications switched network to support teleprocessing and DOD computer internetting through 1982. The technical plan now in development should coordinate or incorporate those other DOD subnets that exist or that will be implemented before IDN. Specific Service responsibility will be detailed in the approved plan.

V. RESEARCH AND DEVELOPMENT

(S) A. Ballistic Missile Defense: In FY 75 reduce Safeguard R&D to \$70M, reduce Site Defense funding to \$200M, and increase ABMDA funding to \$100M. In FY 76 and beyond, do not fund any Safeguard RDT&E, continue Site Defense prototype development at a rate consistent with \$200M per year funding, and fund ABMDA at \$100M per year, all in constant FY 75 dollars.

(S) B. Additional R&D Funding: The FY 75 RDT&E program shall be \$2.067 billion. Increase funding in Research and Development in FY 75-79 by amounts indicated in Appendix A. Final values of the FY 75 allocation and detailed adjustments to the outyear programs will be established in the budget review led by ODDR&E and OASD(C).

VI. SUPPORT TO OTHER NATIONS

(S) Support to South Vietnam and Laos: Reduce FY 75-79 MASF support for South Vietnam and Laos. Reduce FY 75-79 MASF ammunition procurement to \$216 million/year. Increase procurement funds to include \$10M per year for RVN sensors in FY 75-79.

VII. GENERAL SUPPORT

(U) A. Army Accession Plan: Revise the Program Objectives Memorandum Section II on Enlisted Planning Data to reflect DepSecDef approval of new Army accession plan. Resubmit this section by September 15, 1973.

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(U) B. Enlisted Personnel Loss Study: Study, under the direction of OSD, the controllability, accounting of, and relationship to personnel policies of enlisted personnel losses. (Further guidance will be provided by ODDPA&E.)

(S) C. Army Production Base Support: Increase Procurement of Ammunition, Army (PAA) investment funding for munitions production base modernization and expansion. All such munitions production base investment planning is to use a definition of facility capability based on the wartime production schedules which would provide the highest rate of monthly output that could be sustained for an extended period of time. The Army is to develop a new production base modernization/expansion plan (with explicitly defined capability objectives and timetable for completion) which could be implemented at the newly approved FY 75-79 funding level, assuming funding in FY 80 and beyond continues at \$300 million per year. That plan should also explicitly identify capacity being added for RDX/HMX, ICM, and other modernization items. Periodic progress reports during the development of the new plan will be made to OASD(I&L) and ODDPA&E: the plan is to be completed prior to submission of the FY 76-80 POM.

(U) D. Backlog of Essential Maintenance and Repair (BEMAR): Increase funds for BEMAR identified items by \$50M per year in FY 75-79, contingent upon the Army/OSD development of a satisfactory reporting system to demonstrate that the funds are being spent to reduce the BEMAR backlog.

(U) E. Personnel Support: Provide additional financial support of \$100M per year in FY 75-79 for Army personnel assigned to Europe in the form of:

- additional Basic Allowance for Quarters.
- additional Basic Allowance for Subsistence.
- cost of living allowance (COLA).
- more liberal treatment of requests for curtailment of European tours before normal rotation date.

The funds are to be allocated under the direction of the Secretary of the Army. The Army is to provide me with a plan for the use of these funds before they are committed.

(U) F. Family Housing: \$59M per year FY 75-79 will be added to the Defense Family Housing appropriation for Army Family Housing Construction in FY 75-79. The FY 75 family housing new construction program is not to be executed by any Service pending a complete study of military housing requirements and alternative means of providing said housing. This study is to be undertaken by a joint OSD/Service task force.

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(U) U.S. Civilianization and transfer of manpower spaces
funding to reflect civilianization and transfer of manpower spaces
and revision of Inter-Service Support Agreements.

(U) Approved TOA changes to the POM which are to be used to implement the specified program changes are given in the attached Appendices A and B. Appendix C is a summary of procurement quantities and costs for major items affected by my program decisions. Any future unit procurement cost increases will be offset by reduced quantities to stay within the funding profiles indicated.

(U) The effect of any additional changes in Southeast Asia (SEA) assumptions will be addressed separately at a later date. In the interim, SEA surge capability planning for FY 75 should conform to levels specified in the Planning Guidance and used in developing the POM, except where explicitly superseded by me.

(U) The budget to be submitted on October 1 and the Five-Year Defense Program (FYDP) to be updated on October 12 should include these tentative decisions and their associated costs, as reflected in Appendices A, B, and C unless altered by my amended PDM decisions. In parallel, any reclama to these decisions should be submitted to me by August 21. At the same time a copy of the reclama should be forwarded to the DDPA&E.

(U) If, because of circumstances which have arisen since the POM was submitted, you believe that any additional forces or procurement changes should be made to your original POM programs as amended by this PDM, you should submit such proposed changes with compensating offsets along with your reclama. These proposed changes should include a brief justification.

(U) I fully recognize that the FY 75 funding level specified in this PDM is higher than that which will finally be submitted in the President's budget. Nonetheless, I believe that my decisions herein provide a well balanced program consistent with my present objectives for the Department. FY 75-79 adjustments associated with Congressional actions on the FY 74 budget and with final OMB outlay targets will be accommodated during the budget review portion of the PPBS cycle.

(U) I plan to meet with you on any reclama issues during the period from August 24 to 28, after which I will review my initial decisions and issue amended PDMs.

JR Schlesinger

Appendices

cc: Secretary of the Navy
Secretary of the Air Force
Chairman of the Joint Chiefs of Staff
Director of Defense Research and Engineering
Assistant Secretaries of Defense
Director of Defense Program Analysis and Evaluation
Assistants to the Secretary of Defense
Directors of Defense Agencies

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APPROVED CHANGES TO ARMY POM a/
(TOA FY 74 Budget \$B)

	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>
I. <u>STRATEGIC FORCES</u>					
A. Safeguard	-.14	-.09	-.07	-.06	-.07
B. CONUS Air Defense	-.04	-.11	-.14	-.14	-.16
C. NCA Defense	-	-	-	-	-
II. <u>LAND FORCES</u>					
A. Army Reserve Component Size and Organization	-	-.02	+.03	-.02	+.01
B. Army Attack Helicopter	+.06	+.06	+.06	+.06	+.07
C. Army War Reserve Ammo Procurement	+.06	+.10	+.10	+.10	+.04
D. Strategic Air Mobility	-	-	-	-	-
E. Theater Nuclear Forces	-	-	-	-	-
III. <u>INTELLIGENCE AND SECURITY</u>					
Intelligence and Security PDM	+.01	+.01	-	- *	- *
IV. <u>CENTRALLY MANAGED COMMUNICATIONS</u>					
A. Survivability of C3	-	+.01	+.01	-	-
B. Satellite Communications	+.01	+.01	+.01	+	+
C. Communications Modernization and Security	+.01	+.01	+.01	+.01	-
D. WWMCCS ADP & Data Communications	+	+.01	+.02	+.02	+.02
V. <u>RESEARCH AND DEVELOPMENT</u>					
A. Ballistic Missile Defense (SD and ABMDA)	-.04	-.17	-.20	-.20	-.20
B. Add'l R&D Funding b/_	+.03	+.04	+.04	+.04	+.04
VI. <u>SUPPORT TO OTHER NATIONS</u>					
Support to South Vietnam and Laos	-.23	-.19	-.19	-.19	-.19
VII. <u>GENERAL SUPPORT</u>					
A. Army Accession Plan	-	-	-	-	-
B. Enlisted Personnel Loss Study	-	-	-	-	-
C. Army Production Base Support	-	+.07	+.07	+.11	-
D. Backlog of Essential Main- tenance and Repair (BEMAR)	+.05	+.05	+.05	+.05	+.05
E. Personnel Support	+.10	+.10	+.10	+.10	+.10
F. Family Housing	-	-	-	-	-
G. Defense Investigative Service (DIS) Support	- *	- *	- *	- *	- *
H. Force Related General Support Changes (Non- add -- costs included in CONUS Air Defense)	(-.01)	(-.02)	(-.03)	(-.03)	(-.03)

a/ All approved changes are relative to the Army POM Base Case.

b/ The funding changes appearing in this row are in addition to all other changes in the RDT&E Appropriation appearing in this Table.

*Less than \$5M.

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ARMY PROGRAM DECISION SUMMARY
(TOA FY 74 Budget \$ B)

	FY 75		FY 76		FY 77		FY 78		FY 79	
	POM	PDM	POM	PDM	POM	PDM	POM	PDM	POM	PDM
<u>STRATEGIC FORCES</u>										
Strategic Defensive Forces	.41	.23	.30	.12	.28	.10	.27	.10	.29	.10
Strategic Control and Surveillance	.05	.05	.05	.05	.04	.04	.04	.04	.04	.04
<u>GENERAL PURPOSE FORCES</u>										
Land Forces	7.36	7.48	7.14	7.28	7.00	7.19	7.52	7.66	7.96	8.08
Mobility Forces	.01	.01	.01	.01	.01	.01	.01	.01	.02	.02
<u>OTHER MISSIONS</u>										
Intelligence and Security Communications	.27	.28	.28	.29	.27	.27	.27	.27	.27	.27
Research and Development	.37	.39	.41	.45	.39	.43	.37	.40	.37	.39
Support to Other Nations	1.75	1.74	1.92	1.79	2.18	2.02	2.24	2.08	2.18	2.02
	1.43	1.20	1.39	1.20	1.20	1.01	1.22	1.03	1.11	.92
<u>GENERAL SUPPORT</u>	10.52	10.66	10.55	10.75	10.41	10.60	10.43	10.65	10.58	10.69
Army TOA a/	22.17	22.04	22.05	21.94	21.77	21.67	22.37	22.24	22.81	22.53

a/ Totals may not add due to rounding.

NOTE: Service Support to Defense Agencies: Military personnel support to Defense Agencies is to be separately identified by the Military Departments to those Fiscal Guidance categories in which the personnel are assigned within the Defense Agencies. Appendix B has been constructed with this support identified in the above manner.

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ARMY PROGRAM DECISION SUMMARY a/
MAJOR PROCUREMENT
(Quantity/\$ Millions)

	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>
<u>LAND FORCES</u>					
AH-1Q	61/59	61/61	61/62	61/64	61/66
TOW					
Missiles/Total Cost			8980/65	1668/12	
Launchers			253	47	
DRAGON					
Missile/Total Cost					6676/42
Launchers					450

a/ Procurement quantities and costs are for major items affected by this PDM.

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MEMORANDUM

NATIONAL SECURITY COUNCIL

URGENT INFORMATION

August 10, 1973

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MEMORANDUM FOR: DR. KISSINGER
FROM: PHIL ODEEN *PO*
SUBJECT: FY 75 Defense Program and Budget

This memorandum gives a preview of the FY 75-79 Defense Program and Budget. The Services have submitted their proposed programs and Jim Schlesinger is in the process of reviewing a series of issues raised by the OSD staff.

Two DPRC meetings are scheduled over the next month -- one next week focusing on general purpose force modernization and one on strategic forces, probably in September. A good review in the DPRC of the Services' programs is badly needed. You are well aware that Service preferences have dominated Pentagon force planning for the past several years creating programs consistent with each Service's perception of our strategic needs but in many ways not supportive of our broader objectives. In this regard several disturbing trends are evident in this year's program.

With respect to strategic forces:

-- We are entering the late 1970s relying on two high-risk modernization programs (Trident and B-1) to guarantee the future survivability of our bombers and SLBMs. Our flexibility is limited by the lack of hedge programs such as mobile ICBMs and a viable cruise missile program. Moreover, we are working ourselves into an increasingly untenable position to respond to a failure of SALT II.

-- Even if the B-1 meets specifications, we will need survivable tankers to exploit its full capability.

-- The problem of ICBM vulnerability in the late 1970s is well known to you but DOD's response is confused and uncertain.

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-- We are considering programs costing over \$6 billion over the next five years to modernize our continental air defenses to meet a virtually non-existent threat.

With respect to general purpose forces, cuts in Air Force and Naval force levels are projected and will be worse if OMB's projections of "feasible" levels of defense spending prevail.

-- The Air Force proposes to cut five of the 24 tactical air wings previously programmed for the later 1970s. (We now have 22 wings.)

-- The Navy's fleet readiness is poor and force levels will continue to be cut in FY 75 (by about 27 ships) to fund the Navy's modernization effort. The number of ships in the fleet in FY 75 will be less than half that of 1968. Ship modernization absorbs about 65 percent of all general purpose force investment.

-- Army reserve force manning is falling far short of needs. This will further erode the Army's capability to meet the expanded role given reserve forces under the "total force" concept. Despite projected manning shortfalls, there is little being done to seek ways of restructuring to make better use of available reserve manpower.

Some of these problems may be at least partially addressed and corrected by the internal OSD reviews. (Schlesinger is apparently taking a much more active role in the program review than Laird did.) But there is also a good chance the problem will be exacerbated by the budgetary pressure which is strong again this year - Shultz and Ash are talking of a truly balanced budget for FY 75, which would be the Administration's first.

Service programs total about \$86.5 billion which is about \$6 billion greater than OMB claims is compatible with the President's economic objectives. It is important that you stay involved to ensure adequate funds are provided for defense and that any reductions taken are consistent with our strategic needs rather than determined by the need to keep bureaucratic peace with the Services.

In addition to budgetary pressure OSD believes that Service programs may be underfunded by \$1 to \$3 billion per year due to likely cost growth, faulty Service estimate, etc. If this projected cost growth occurs, forces will have to be cut still further.

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Greater detail of these problems is discussed below.

STRATEGIC AND THEATER NUCLEAR FORCES

The DOD FY 75-79 program does not reflect any major changes in strategic force levels. However, several changes in modernization programs are steadily boxing in our future strategic force options.

Bombers

For example, our bombers will become increasingly vulnerable, and needed hedge programs are being deleted. The vulnerability is in part the result of improved air defense making penetration more difficult and in part a problem of prelaunch survival as the Soviet SLBM force grows. The B-1 does not appear adequate in itself to forestall this vulnerability.

-- As you know, OSD has directed cancellation of the SCAD decoy which could extend the useful life of the B-52 force and provide a technological base for future air-to-surface missiles. In addition, the Navy proposes to delete development of the Submarine Launched Cruise Missile in order to fund a low cost follow-on to the F-14. This will leave us with no air-to-surface programs to shore up (either B-1 or B-52) bomber penetration capabilities in the late 1970s. ^{1/}

-- The B-1 itself is slowed as a result of recent development troubles and its very large cost may make it impossible to procure adequate numbers. The first B-1 now enters the force in FY 1980 and there are no funds for a survivable quick take-off tanker to provide the B-1 with adequate fuel to reach its targets. Without a more survivable tanker, the effectiveness of the B-1 bomber could be severely degraded.

-- The B-52 bomber force will be reduced as older models are phased out in 1981 leaving a force of 255 B-52/Hs. The B-52s are likely to have difficulty penetrating without an air-to-surface cruise missile in the early 1980s.

^{1/} Clements spoke to a reporter the other day and took a strong line on the need for cruise missiles. But we don't have a coherent DOD program yet.

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Land Based Missiles and ABMsTo reduce the vulnerability of our ICBMs, DOD proposes:

-- Full scale R&D for an advanced ICBM program; whether it would be fixed or mobile has not been decided.

-- An ABM R&D effort costing a half billion dollars annually for Safeguard, Site Defense, and Advanced Site Defense to protect ICBMs in the event of a SAL abrogation.

Sea Based Missiles

SLBM programs continue to move ahead but here our flexibility is being eroded as well. The Navy has proposed that the Trident program be reduced to a total of ten ships because of its cost. It is also proposed to delay the availability of the Trident I missile until the early 1980s to coincide with the ship IOC. Backfitting the longer range Trident I missile into Poseidon submarines is, of course, our hedge to submarine vulnerability in the late 1970s, but this option will soon be lost.

Strategic Programs and SALT

The high cost and inflexibility of our strategic offensive force planning in relation to SALT should be the major focus of our discussion in the coming meetings.

With only Trident and B-1 as a source of new launchers we will be in an increasingly untenable position to compete in a launcher competition with the Soviets. For example, the OSD analysis calculates it would cost about \$45 billion to add 500 new launchers to the U.S. inventory in the late 1970s.

Strategic Defense

I understand Schlesinger has directed the Services to cut back sharply on our continental air defenses, a step directed by the President two years ago. But the Services continue to press ahead with an Air Defense Modernization program costing \$6 billion over the next five years. You should press for a rational justification for this allocation of defense resources.

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Tactical Nuclear Forces

Finally, we are embarking on an extensive modernization of our theater nuclear forces with munitions, bombs, artillery rounds, etc., being developed without any clear concept of how they will be used. The improvements are largely focused on improving safety, fuzing options and maintainability, and increasing accuracy through the use of the technology of laser guided weapons.

GENERAL PURPOSE FORCES

The status of our general purpose forces is equally disturbing. Since 1967, force levels have been cut back sharply as a result of the wind down of the war in Southeast Asia and budget pressure caused by increased manpower costs and inflationary increases in the cost of weapons and equipment. The general purpose forces have absorbed the bulk of the budget-related cut backs.

-- The Army has been reduced by five active divisions since the peak of the Vietnam war, but Army force levels will remain stable for the foreseeable future.

-- The Navy has cut its forces by over 50 percent to help pay for modernization. The Navy now projects that the reductions are completed but in fact more force cuts may be necessary if shipbuilding costs increase (OSD estimates Navy programs may be underfunded by as much as \$1.5 to \$2 billion annually).

-- In the past the Air Force has reduced support and readiness in order to save force structure. This has apparently gone as far as it can and the Air Force now proposes to reduce its programmed fighter/attack force by five wings (20 percent) by FY 78.

The readiness of the remaining forces is also a major problem. For example, the General Purpose Forces Issues paper prepared for internal DOD review points out that:

-- Fifty percent of the Navy ships are marginally ready or not ready.

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-- With the expiration of the draft, the reserves are having a difficult time recruiting personnel. The Army expects to be short 65,000 reserve personnel by the end of FY 74, and thus may get worse as the enlistments of those who joined the reserves to avoid the draft expires.

-- The Air Force reserve and Guard are well manned and nearly as ready as the active force. However, over 20 percent of the units are manned with obsolete aircraft, or aircraft unsuited for a NATO war.

A few of the major problem areas are discussed below.

The Army

Reserve strength is budgeted at about 90 percent of authorized levels because of an anticipated shortfall in reserve enlistments. Without draft pressure next year, some projections show the shortfall could be much greater than indicated by the Army program.

Reserve force levels have been maintained principally because of Congressional pressure, and many of the units are assigned missions of little value or the units would not be ready to deploy for several months, probably after a war in NATO is over. We may want to take advantage of the shortfalls in enlistments to restructure the reserves.

The Navy

The Navy continues its very ambitious modernization program which absorbs about 63 percent of total general purpose force modernization spending.

The Navy is pursuing what it calls a "Hi-Lo" approach in force modernization. The "Hi" portion consists of very sophisticated and expensive ships such as nuclear carriers, nuclear submarines and large sophisticated destroyers. The "Lo" portion emphasizes cheaper, less sophisticated ships that will allow the Navy to provide the number of ships necessary to cover the various areas of concern.

There are some hopeful indicators that show some progress towards deemphasis of high cost and high technology programs. In particular:

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-- The production rate of attack nuclear submarines has been reduced from 5 to 3 per year.

-- No new aircraft carriers are programmed in FY 75. (Funding is proposed in FY 76-78 for a new carrier, however.)

-- Funding for the costly DD-963 destroyer is in its last year.

At the same time, several new programs represent welcome emphasis on less costly technology:

-- Procurement is started of a Sea Control Ship designed to provide air cover to convoys and shipping at sea but at a much lower cost than carriers.

-- A new class of low cost escorts (patrol frigates) is also underway to supplement the more expensive destroyers.

The major concern regarding the Navy Modernization Program continues to impact on existing force levels. FY 75 was to be the turning point after which Naval force levels would start increasing. However, the FY 75 program submitted this year show a further reduction of 27 ships (7 ASW and Air Defense, 10 Amphibious, and 10 Support Ships) from last year's planned FY 75 force.

If cost growth or budget cuts lead to a further squeeze on the Navy's general purpose forces we can expect force levels and readiness to suffer not the modernization effort. It is interesting to note the actions the Navy is considering in order to provide the funds to procure the 385 F-14 fighters they deem necessary:

-- Reduce the Sea Control Ship Program from 8 to 5 ships.

-- Cancel the replacement of a programmed Fleet Ballistic Missile Submarine Tender.

-- Slip the Trident program in order to gain about \$120 million.

-- Slip the Strategic Cruise Missile Program to gain about \$270 million.

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-- Transfer about \$100 million from the funds to continue the Trident program beyond 10 boats.

-- Transfer \$65 million from Strategic R&D.

Air Force

The major change in the Air Force General Purpose Forces is a reduction in the previously programmed outyear tactical fighter force from 24 to 19 wings. The changes come about from a reduction of 144 in the planned procurement of the new close air support aircraft (A-10) and the more rapid transfer of the F-4 and A-7 from the active forces to the reserves.

The reduction in the buy of the A-10 aircraft is of some concern since it represents a new Air Force decision to reduce its emphasis on the importance of the close air support mission. This aircraft is being designed specifically for the ground support mission in Europe and possesses significant anti-armor capability. Compared to the deep interdiction and air-to-air mission for which the F-111 and F-4 were designed, the close air support mission has never been given adequate attention by the Air Force. (This may partially account for the Army's decision to provide their own close air support via helicopter.)

It is, of course, impossible to say what the proper mix should be between the three Air Force tactical air missions or to challenge Air Force decisions on concrete grounds. However, we should seek the Air Force rationale for their deemphasis of the close air support role before accepting their decision.

Also the Air Force is phasing out or reducing most of the forces that evolved specifically for the war in SEA. These include the Special Operations Force (completely eliminated by FY 76) and major reductions to the Tactical Air Control System and the Electronic Counter Measures (ECM) forces. Also the tactical reconnaissance force is reduced from 23 squadrons (FY 72) to 16 by FY 76. Again, it is extremely difficult to say specifically what the force level needs are but we should investigate the implications of this 30 percent reduction.

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Status of All Volunteer Force

The draft formally ended June 30 but there were no inductions after January 1973 so the services have been relying on volunteers for the last six months. The services ended FY 73 about 1% (25,000 personnel) below their planned strength. Part of this shortage was due to deliberately planning to be short and part was the result of higher quality standards used by the Army and Navy in screening recruits. DOD is confident the services could have met their goal if the old quality standards had been retained.

DOD needs to recruit 362,000 new enlistees in FY 74, about 20,000 more than volunteered in FY 73. The main concern is the Army which must attract about 20% more volunteers than they did last year. The Army has relaxed its quality standards in order to accept more recruits. Despite the fact that the Army achieved only 76% of their recruiting goal in July OSD remains confident that they can achieve their recruitment goals. The next several months will be critical for recruiting and we need to monitor this very closely.

In addition to shortfalls in Army recruiting the services will have difficulty attracting enough doctors and lawyers. A new pay act is before Congress to provide bonus and other pay incentives for the needed specialists. If this legislation is not passed we may have severe problems attracting adequate medical personnel in particular. OMB is directing a major study on alternative solutions to this problem.

The DPRC Review

These issues emphasize the critical need for a coherent review of service planning for FY 75-79. Last year the NSC participation was haphazard and incomplete.

My plan this year is to hold two separate DPRC meetings by mid-September - one on Strategic and the other on General Purpose Force Modernization programs. This will give you a good opportunity to address longer term issues related to our strategic programs and SAL and general purpose force modernization programs and their compatibility with maintaining future force levels. The meetings will also be a good opportunity to draw Jim Schlesinger's attention to the need for critically reviewing Service programs.

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